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RUEHBS/AMEMBASSY BRUSSELS 1437

RUEHMS/AMEMBASSY MUSCAT 0226

RUEHJB/AMEMBASSY BUJUMBURA 3159

RUEHKM/AMEMBASSY KAMPALA 0132

RUEHLGB/AMEMBASSY KIGALI 1636

RUEHNR/AMEMBASSY NAIROBI 1604

RUEHNY/AMEMBASSY OSLO 0024

RUEHDS/USMISSION USAU ADDIS ABABA

RHMFISS/CDR USAFRICOM STUTTGART GE

RHMFIUU/CJTF HOA//J3

RUEAIIA/CIA WASHINGTON DC

RUEHLMC/MCC WASHINGTON DC

RUEHPH/CDC ATLANTA GA

UNCLAS SECTION 01 OF 04 DAR ES SALAAM 000108

DEPARTMENT FOR AF/E JTREADWELL; INR/RAA: FEHERENRIECH
STATE PASS TO USAID, USTDA

SENSITIVE
SIPDIS

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TAGS: ENRG ECON ETRD MCC PGOV EPET EAID TZ

SUBJECT: ZANZIBAR ENERGY CRISIS: Z-BAR GOVT LIKELY TO ASK USG
TO SHIP EMERGENCY GENERATORS BY AIR FROM BRUSSELS

REFS: (A) Dar es Salaam 38, (B) 09 Dar es Salaam 871 and (C)
08 Dar es Salaam 839, (D) Dar es Salaam 107

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(U) 1. SUMMARY: The USG should expect a formal request from the Zanzibar Government (SMZ) seeking assistance for air transport of up to 32 Caterpillar-brand diesel generator units currently located in Belgium. Several donors have pledged to provide support for the purchase of these units. The SMZ says that it will pay for their ongoing fuel, operation and maintenance. We strongly support this anticipated request to preserve our health sector gains and support recent concrete steps toward political reconciliation on the isles. END SUMMARY.

(U) 2. On January 21, MCC Resident Country Director attended a meeting of the Zanzibar Government (SMZ). In attendance were the Minister of Finance, Principal Secretary of the Ministry of Energy, Lands, Water and Public Works, representatives from the Zanzibar Electricity Company (ZECO) and a member of the Tanzanian Union Government's (GOT) Ministry of Energy and Minerals. There was also a consultant from Norplan, funded by the Norwegian government to provide technical assistance in the energy sector to ZECO and Zanzibar. The purpose of the meeting was to discuss and take action on a letter sent to the Norwegian Embassy asking Norway "and other development partners" for assistance with their current power crisis.

BACKGROUND

(U) 3. Prior to this meeting, the Norwegian-financed consultant Norplan had presented the SMZ with a variety of options to partially address the current power crisis (ref A). Norplan recommended, and the RGOZ subsequently agreed to pursue, the purchase of up to 32 diesel generator units to be supplied by a Belgium-based company called "Mantrac" that will produce 26.5 MW of emergency/back-up power.

(U) 4. Meanwhile, ZECO continues to pursue an attempted repair of the current submarine cable, and still hopes to have the repair completed and the cable re-energized "by the end of

February." Although there is reasonable chance that the planned repair will work, there also is significant chance that it will not, especially given the overall age and existing state of the cable. Even if it is successfully re-energized, the cable would not be able to work at its previous full capacity (40-45 MWs) and instead could be run at best at 20MWs to 30MWs. Thus, there would still be a need for power shedding/power rationing in Zanzibar, even in the best case scenario. There also is no guarantee that it would not break down again sometime in the near future. The new 100 MW submarine cable being financing by MCC is not expected to come online and be operational until late in CY 2012. Thus, there was the perceived strong need to provide additional power on an emergency basis as soon as possible.

MODALITIES OF ASSISTANCE

(U) 5. At the donor's meeting, the SMZ was keen to demonstrate that it has the necessary legal authority and emergency contracting procedures in place to handle donor funds. Because donors generally have formal relations only with the GoT, i.e. the mainland Union government, rather than with the SMZ, this was problematic for some donors. DFID, for example, said it would need to conduct some form of due diligence on the SMZ before it could give money directly as part of a "basket." Norway explained that it had already established a Project Implementation Unit (PIU) for its rural electrification projects on Zanzibar and its soon-to-be completed submarine power cable to Pemba. Although technically within the SMZ, it was structurally autonomous. DFID and other donors such as SIDA then agreed that they should be able to make their contributions via this PIU. JICA said that they could not contribute cash to such a PIU since their

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aid was generally tied, with strict "buy Japanese" requirements, but that they might be able to supply individual consultants to work in such a PIU as needed.

THE PROPOSAL

(U) 6. Discussion then turned to the SMZ proposal, which was based on the Norplan recommendation. The SMZ proposal called for a total of USD 19 million to purchase 32 diesel generator units from Mantrac. (0.8 MWs per unit X 32 = 25.6 MW of power). There were many questions regarding the numbers set forth in the SMZ proposal, and the need for more details, more justification of claimed costs, etc. The SMZ agreed to send a revised and expanded version, together with a Gant chart that showed detailed timelines for purchase, shipment, construction of the small civil works necessary to install the new diesels, etc., as soon as possible. Donors also demanded some information from the SMZ on their priorities regarding planned uses of the emergency power, given that power shedding and rationing would be needed even if the current cable comes back on line.

INTERNATIONAL FUNDING PLEDGES

(U) 7. The SMZ asked donors what they could provide. The representative from the GoT was asked to speak first, but all he said was that, GoT's Minister of Energy "will continue to make a follow-up" with the GoT Ministry of Finance and Economic Affairs. The GoT was unable and/or unwilling to give any indication on potential orders of magnitude for GoT contributions. Foreign donors, however, offered the following:

--DFID: 2 million pounds, which equals approx USD 3 million.
--SIDA: will contribute only "if there were a substantial financing gap" and only if a few million were missing to bridge a final purchase, with a limit of USD 4.0 to 4.5 million.
--JICA: No information available at this time.
--Norway: USD 4 million.

TOTAL: USD 11 million, which roughly equals the estimated cost of the 32 units from Mantrac at USD 11.7 million.

(U) 8. SMZ estimates the cost of fuel, operation and maintenance will be USD 44 million from installation until the MCC cable comes online. The SMZ stated in its letter to Norway that it is willing and able to shoulder this. The donors were generally very positive, but also made clear that all such pledges were conditioned on further info from the SMZ and various internal approvals.

U.S. ASKED ABOUT PROVIDING AIR SHIPMENT

(U) 9. MCC Director made the point that the USG, through MCC, was providing the long term solution to the power question by supplying the new 100 MW cable. Bids were already in process even before the latest crisis, and were due very soon. Moreover, we already had made informal inquiries about the possibility of emergency assistance as soon as the crisis hit. The MCC Director explained, however, that USAID's OFDA emergency funds were normally used for hurricanes and floods, etc., not problems of the sort that Zanzibar was facing. Given the recent disaster in Haiti, most eyes in Washington (and budgets) were understandably focused there. The Japanese made a similar point, stating somewhat more bluntly that "Japan provides emergency assistance for natural but not man-made disasters."

(U) 10. Given the USG's well-known reluctance to contribute to basket funding such as that under discussion by the other donor partners, MCC Director was specifically asked whether the USG could provide any assistance with transporting the

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diesel units to be purchased. When pressed, MCC Director said that we would need to see much more detailed information as to exactly what type of power units, what size and weight, etc., before the question could even be asked. The SMZ was quick to respond that it would supply all such information as rapidly as possible and make a formal request. It has yet to do so.

CURRENT STATE-OF-PLAY

(SBU) 11. SMZ signed a letter of acceptance with Mantrac for the generators January 29, and the full contract will be signed February 2. Total price at the time of signing went up to USD 12.985 million, including installation costs. The SMZ says it had to sign the contract first and then go to donors later because Mantrac was going to reallocate the generators to Haiti. This demonstrates the dire straits the SMZ sees itself in.

OTHER DELIVERY ALTERNATIVES

(U) 12. Some limited information on estimated transport costs and times was included in the Norplan report and discussed at the meeting. These alternatives were:

-- (1) Via Commercial Air. Estimated cost of USD 5 million and transport times of 14 days (10 days to Dar and 4 days to Zanzibar, based on the assumptions that the machines are too big or heavy for direct flight to Zanzibar);

-- (2) Via "normal" commercial ship, i.e. with other cargo and transport around Cape of Good Hope. Estimated cost of USD 0.2 million and 4-5 weeks once loaded at port.

-- (3) Via "charter" ship. Estimated cost of USD 0.5 million and 6 weeks.

(U) 13. There is a clear desire on the part of the SMZ to get the diesels operational as soon as possible, given the ongoing problems and damage to the Zanzibar economy. Other donors were very supportive of the SMZ position and also would like to see such a USG contribution.

COMMENT: U.S. Mission Dar es Salaam Supports this Imminent Request

(SBU) 14. The Tanzania Union Government has not and will not take an official position on this request. Power is not a "Union competency" and so the Union Government will not put the Zanzibar Government's request in perspective with competing mainland priorities (such as responding to road and rail damage in central Tanzania due to recent flooding). As regards non-Union issues, mainland Tanzania and Zanzibar might as well be two different countries as far as both Union and Zanzibar officials are concerned.

(SBU) 15. We support this request for the following reasons:

-- Continued lack of distributed electrical power in Zanzibar's main island of Unguja puts at risk our considerable health sector achievements there and introduces new health vulnerabilities due to lack of fresh water and insufficient power supply to healthcare facilities.

For example, household spraying to prevent malaria has been indefinitely delayed due to lack of power and fresh water. Our anti-malaria successes in Zanzibar have drawn worldwide attention. This delay risks retrogression in our fight against malaria deaths on the island.

-- Zanzibar's political leadership, both in government and opposition, have recently taken concrete steps to achieve a settlement ending decades of bitter, violent politics (ref D). The Zanzibar parliament's unanimous vote in favor of the settlement presents an historic opportunity for the people of Zanzibar to overcome these debilitating divisions. The Union government, as well as the USG at the highest level and other prominent donor governments, have long

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championed such a settlement. Support for Zanzibar in this hour of need makes a strong statement that constructive politics attracts favorable responses from the USG.

-- If we transport the generators the public image will be of American generators (Caterpillar brand) flown in on American aircraft to assist the people of Zanzibar. This will be the public image despite the fact that other donors fund the actual purchase of the machines. American influence will further rise in the isles at a particularly key moment as the power-sharing deal is implemented.

LENHARDT